



April 13, 2021

Representative Marvin Abney
Chairman, House Finance Committee
State House
Providence, RI 02903

Dear Chairman Abney,

Rhode Island Housing and Mortgage Finance Corporation ("RIHousing") is pleased to submit testimony in support of Article 16 of the Governor's proposed Fiscal Year 2022 budget, and similar efforts in House bills 5456, 5687 and 5951 to increase state investment in housing.

In particular, we strongly support the creation of a dedicated revenue stream for housing production and preservation. Article 16 proposes a new Housing Production Fund supported through the real estate conveyance tax. This approach would provide the sustainable, predictable resource that is necessary to increase our rate of housing production and plan for the state's long-term housing needs. Representative Slater's bill (H5456) and Representative Speakman's bill (H5687) similarly seek to increase state investment in housing production and preservation through the real estate convenience tax, while Speaker Shekarchi's bill (H5951) would elevate housing issues with a new deputy secretary of commerce and housing position.

Currently, Rhode Island is the only state in New England that does not have a permanent funding stream for housing production; instead, we have primarily relied on housing bonds to finance new investments. Even considering the funding provided through these past bonds, and the \$65 million Housing Bond approved by voters earlier this month, Rhode Island invests far less in housing per capita than our neighboring states, and that investment level can fluctuate significantly from year to year. To build capacity to increase housing production we need a reliable funding source that can support a higher level of development activity. We urge you to support this critical new resource for housing.

In addition, we understand that the Governor will be proposing an amendment to Article 16 that clarifies how the Real Estate Conveyance Tax applies to affordable housing properties. As of 2015, transfers of certain ownership interests in real properties became subject to the conveyance tax. This change has had unintended consequences for affordable housing properties financed with federal housing tax credits, where ownership is typically transferred from an investor to a developer at the end of the initial affordability period. I have attached to my written testimony a description of the typical transaction process. In effect, affordable properties may be taxed twice: once when the property is first acquired, and again when the equity investor exits the development partnership. This places a significant financial burden on affordable properties,

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especially those developed by community-based nonprofit organizations. We ask that you support this amendment.

For many years Rhode Island has faced a serious shortage of affordable housing, and housing production of all kinds remains at historically low levels in the state. This lack of supply is translating into higher prices, a lower inventory of homes for sale and tight vacancy rates. Investing in healthy, secure, affordable housing is more important now than ever.

Thank you for your consideration.

Sincerely,



Carol Ventura
Executive Director

cc: Nicolas Retsinas, Chairman, RIHousing

Invest. Build. Believe. 

Affordable Housing Conveyance Tax Exemption

(H7171, Article 12, Section 5, 44-25-2)

This change to the conveyance tax will end the double taxation of affordable housing, particularly developments financed with federal Low-Income Housing Tax Credits. While most developments are taxed once (upon the sale of the property) tax credit financed developments are taxed twice: once upon sale of the property, and again when the investor exits the partnership.

